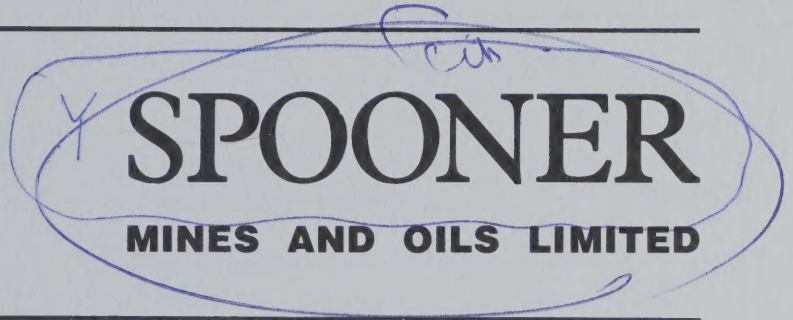


*To the annual in the lead
and the quarter's results in the notes*



ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 30TH, 1978

SPOONER MINES AND OILS LIMITED

Head Office: Suite 916
111 Richmond Street West
Toronto, Ontario M5H 2G4

Directors: W.M. Connor
F.D. Corman
J.N. Harbinson
V.N. Harbinson
A.G. Matthew
E.F. Merringer
D.C. Vickers

Officers: V.N. Harbinson
Chairman of the Board

A.G. Matthew
President

J.N. Harbinson
Executive Vice-President

D.C. Vickers
Vice President Corporate Affairs and
Secretary-Treasurer

Transfer Agent and Registrar: Crown Trust Company
Toronto, Ontario

Legal Counsel: Manning, Bruce, Macdonald & Macintosh
Toronto, Ontario

Auditors: Thorne Riddell & Co.
Toronto, Ontario

Share Listing: The Toronto Stock Exchange
The Alberta Stock Exchange

SPOONER MINES AND OILS LIMITED

Directors' Report

TO THE SHAREHOLDERS:

Your Directors are pleased to present the Annual Report of the Company, which includes the financial statements and Auditors' Report for the year ended June 30, 1978.

MINING

Consolidated Durham Mines & Resources Limited

Your Company manages the affairs of this only antimony producer in North America under an Agreement whereby Spooner receives 15% of the net profits after taxes from this property. Details of the Agreement are reflected in the notes to the financial statements.

A five year analysis of mining and financial data regarding this operation is reflected as schedule "A" to this Report. The decline in Spooner's earnings from management fees was solely due to the lower prices prevailing for antimony in concentrate form during the year. Since June 30th antimony prices have firmed and are now in the \$18 - \$20 U.S. per metric ton unit range. Apart from the management contract Spooner owns 725,725 shares of Consolidated Durham and received \$50,301 in dividends from this source during the year under review.

Recently, uranium occurrences have been found on the property and a current report which elaborates on this intriguing occurrence appeared in the November 2 issue of The Northern Miner and is included as Schedule "B" to this Report. An Agreement in principle has now been signed by Eldorado Nuclear and Consolidated Durham. Schedule "C" to this Report outlines more fully the current status of all of Durham's activities.

NBU Mines Limited:

Spooner holds 170,700 shares of NBU Mines Limited. NBU directly and indirectly owns a 33% interest in a base metal deposit in the Sturgeon Lake area of Northwestern Ontario. In February 1975 the mine was officially placed on stream with a rated capacity of 1,200 tons per day.

As of December 31, 1977 cut and dilute ore reserves were estimated by Falconbridge Copper Limited as follows:

	Tons	% Copper	% Zinc	% Lead	Silver oz/ton	Gold oz/ton
Unbroken	651,100	2.78	9.38	1.10	5.57	0.019
Broken	252,500	2.11	8.58	1.22	4.56	0.010
Total	903,600	2.59	9.15	1.13	5.31	0.018

The Sturgeon Lake project is divided into two parts: Twenty percent (20%) of the ore body is a joint venture, with the remaining 80% of the ore body owned by Sturgeon Lake Mines Limited. Ownership as to each part is Falconbridge Copper Mines Ltd. 67%, and NBU Mines Limited 33%. Falconbridge Copper is the operator. Recently, mill recoveries, prices, and sales have improved and are being reflected in 3rd and 4th quarter earnings. NBU's after-tax share of earnings of the total project for the nine months ended September 30th, was approximately \$1,260,000.

PETROLEUM AND MINING

The Company retains its holdings in various areas of Western Canada. A part of its holdings in the Canadian Arctic has been abated as a result of unsuccessful drilling by Panarctic Oils Limited in certain areas. The reduction in these holdings was the decision of the Consortium. The Company continues to hold interests varying from 0.5291% to 0.81436% in 1,026,614 acres in Bathurst Island.

The Company retains its mining interest in Ungava Bay, Quebec, which is under farm-out to Esso Minerals Resources (Imperial Oil). An indirect interest is still held in certain applications and permits in Greenland.

FINANCIAL

The decrease in revenue for the year was caused by the drop in management fees from \$245,000 in 1977 to \$61,000 in 1978. This coupled with a non-recurring and non-cash write off of \$375,070 occasioned by the writing down in value of the shares in New Quebec Mining and Exploration Limited to one dollar (\$1.00) were the main reasons for the Company's loss. However, working capital remained virtually unchanged at \$432,000.

On behalf of the Board,
V. N. HARBINSON
Chairman of the Board

A. G. MATTHEW
President

Toronto, Canada
November 14, 1978

SPOONER MINES AND OILS LIMITED
"SCHEDULE "A" "
**Five Year Analysis of Mining and Financial Data of Consolidated Durham Mines & Resources Limited
for the years ended June 30**

	1978	1977	1976	1975	1974
STATISTICS					
Tons mined — short	103,576	100,780	90,270	83,825	55,111
Average grade	3.50%	3.85%	4.34%	3.95%	5.23%
Concentrate produced—metric tons (Note 1)	3,880	3,896	4,361	3,463	3,733
Average percent of antimony in concentrate	65.58%	65.94%	65.97%	66.13%	65.67%
Pounds of antimony in concentrate	5,609,669	5,663,723	6,342,591	5,048,765	5,404,545
ORE RESERVES (PROVEN, DRILL INDICATED AND POSSIBLE)					
Recalculated (Note 2)					
Short tons	302,691	412,648	483,465	527,333	178,763
Grade	3.44%	4.22%	4.56%	5.06%	4.60%
EARNINGS					
Revenue from production	\$4,775,099	\$6,532,482	\$5,372,195	\$5,653,909	\$4,249,344
Operating, exploration and administrative costs	3,706,392	3,735,819	3,683,583	3,554,675	2,364,202
Provincial mining taxes	82,000	186,122	118,556	140,000	120,000
Depreciation and amortization	532,300	514,500	482,700	464,636	428,200
Current taxes on income	155,000	170,000	—	—	—
Deferred taxes on income	(50,000)	535,000	407,000	525,000	264,800
Other	—	—	101,833	—	(264,800)
Net earnings	<u>\$ 349,407</u>	<u>\$1,391,041</u>	<u>\$ 578,523</u>	<u>\$ 969,598</u>	<u>\$1,336,942</u>
Per share	\$ 0.07	\$ 0.28	\$ 0.12	\$ 0.20	\$ 0.27
Cash flow from operations	831,707	2,440,541	1,468,223	1,959,234	1,765,142
Per share	0.17	0.49	0.30	0.40	0.36
WORKING CAPITAL (DEFICIENCY)	\$2,651,175	\$2,483,630	\$ 946,032	\$ 267,384	\$ (592,864)
SHARES ISSUED AND OUTSTANDING	4,947,791	4,945,791	4,945,791	4,945,791	4,945,791
DIVIDENDS PAID PER SHARE	\$ 0.07	\$ 0.10	—	—	—

Note: 1. A metric ton is 2,204.622 pounds.

2. Recalculated as development of Prout Zone has commenced.

Surprise uranium findings changing Durham mine picture

By M. R. BROWN
Editor

Widespread uranium mineralization in what appears to be commercial amounts has been found in both the underground workings and surface dumps at the New Brunswick antimony mine of Consolidated Durham Mines & Resources. It has also brought **Eldorado Nuclear** into the picture.

It's a surprise development that looks important, The Northern Miner gathers, and is shaping as one of the most remarkable mining stories of the year.

"A totally new feature has entered the Durham picture", comments V. N. Harbinson, the company's chairman and chief executive officer, "the significance of which is intriguing, but not yet unravelled."

Reacting quickly to the discovery, the company moved staking crews into the area and has now something like 20,000 acres tied up in three groups. Other stakers are following.

Moving quickly, too, has been the Crown-owned Eldorado firm which carried out its own underground sampling. It has already entered into negotiations that could result in an early multi-stage agreement covering both exploration and the provision of production facilities.

Although not continuous, significant uranium values have been picked up over a length of 3,000 ft. in the underground workings. This appears to occur in the vein material, in the wall rocks and also in cross bedding within the sediments. But it is not in the stibnite (antimony mineral) itself, for the antimony concentrate that the mine produces is not radioactive.

Whereas the antimony mine itself is generally regarded as a small tonnage operation, present thinking is that the uranium could represent more of a tonnage situation, especially if it follows the bedding.

Present thinking is that the occurrence is of thermal origin occasioned by a nearby granite intrusive which in itself is moderately radioactive. This intrusive appears to have caused alteration in the sedimentary series (graywackes, argillites and sandstones) for at least half a mile from the contact where all samples to date have been taken.

Samples have been taken from two surface dumps as well as underground vein, wallrock and raise material — 31 to date. There have been no misses. Of these 31 samples, five assayed less than 1.0 lb. U_3O_8 , 12 ran between 1 and 2 lbs. and 14 between 2.0 and 5.5 lbs. per ton.

Management believes the occurrences to be of metamorphic contact origin, with values decreasing as the distance from the intrusive increases. This is not an uncommon feature in certain French and Eastern European deposits where stibnite (antimony) and uranium frequently occur together.

The discussions currently being held with Eldorado call for a staged sampling program, exploration work, feasibility studies and, if warranted, a milling plant at the mine site. An exploration program on the company's outside claims, together with that in an area of mutual interest, is also under negotiation.

The disclosure that uranium occurs in apparent economic amounts at Durham's Lake George mine, of course, holds important implications for closely associated **Spooner Mines & Oils**. For in addition to holding 726,000 shares of Durham stock, Spooner, which arranged the financing for and manages the mining operation, receives 15% of net profits after taxes. **Onaping Mines**, another company in the Harbinson fold, owns 433,309 shares of Durham as well as a large block of Spooner stock.

Cons. Durham itself is in a comfortable cash position, with working capital as of the end of September of \$2,804,956.

Soft prices for antimony trim Durham's earnings

Earnings of Cons. Durham Mines & Resources dipped sharply last year to \$349,407 or 7¢ per share, compared to \$1,391,041 or 28¢ in the comparative fiscal year to June 30, 1977. The drop was due solely to lower prices received for the company's antimony output, says Chairman V. N. Harbinson in the annual report, pointing out that output itself was virtually unchanged that overall costs were within \$5,000 of those incurred the previous year.

(The big Durham story, of course, has been the discovery since fiscal year end of important uranium values which could completely change the mine picture. See last week's front page story).

Tons of ore mined and milled approximated that of the year ended June 30, 1977. There were no major interruptions in production. Grade of ore mined and concentrate produced varied insignificantly from that of the prior year; and the number of all employees, including staff, remains stable at around 100.

During the year 90,723 tons were milled for an average of 349 tons per day on a five-day week. All mill feed was drawn from existing levels, primarily the third to the seventh, with some ore coming from the Prout vein east of the shaft which is now under development.

An extensive exploration-development program carried out at the New Brunswick mine property failed to maintain ore reserves which declined to 306,691 tons grading 3.44% antimony, compared to 412,648 tons grading 4.22% the previous year. But this work is continuing.

Output, at 5,609,669 lb. has been virtually unchanged in each of the five years since production started.

During the year the price of antimony in concentrate form dropped as low as \$15 — \$17 (U.S.) per metric ton unit. Although demand was sluggish, especially during the late summer season, the company encountered little problem in selling its product at prevailing top prices.

Durham has no inventory or marketing problems, and markets its own product. Recently, demand has firmed with prices for good grade concentrate (60%+) selling in the \$18 — \$20 (U.S.) range. The company's product has always been of premium quality. Its primary markets are in Europe, the United Kingdom, Japan and the United States.

Outside exploration

Very little outside exploration was undertaken this year as heavy emphasis was placed on the mine property. The company has a 40.9% interest in **O'Brien Energy & Resources** gold properties near Cullaton Lake in the Northwest Territories. This includes the "B" zone where diamond drilling has indicated approximately 300,000 tons of gold ore grading 1.13 oz. uncut or 0.74 oz. cut to the 400-ft. horizon. Widths vary between 12 and 16 ft.

The O'Brien-Durham team has interested a major company in one of the claim groups it controls which, if the option is fully exercised, would involve the expenditure by that company of \$500,000 to earn a 60% interest. This claim group is referred to as the "Pen" and embraces 29 claims. The lengthy agreement also calls for a willingness, but not a commitment, to enter into discussions of a broader nature involving a pooling of all interests, including the "B" zone, on any or all the claim groups.

Total acreage in the 18 groups of claims now controlled by O'Brien-Durham is approximately 28,000 acres.

The company also has an interest in all of O'Brien's geothermal resources which is of current and future major significance.

The company continues to maintain a strong financial position, with working capital at year end of \$2,651,175 compared to \$2,483,630 as of June 30, 1977. As of Sept. 30, this figure had risen to \$2,804,856.

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

Balance Sheet

ASSETS

	June 30,	
	1978	1977
Current assets		
Cash	\$ 280,518	\$ 242,926
Accounts receivable	165,502	220,746
Deposits	1,000	1,000
	<u>447,020</u>	<u>464,672</u>
Interest in other companies (note 1)	402,786	726,902
Oil and gas interests (notes 2 and 6)	<u>93,925</u>	<u>89,338</u>
Other assets		
Mining claims (notes 3 and 6)	80,000	80,000
Fixed assets, at cost less accumulated depreciation.	<u>32,433</u>	<u>26,798</u>
	<u>112,433</u>	<u>106,798</u>
	<u>\$1,056,164</u>	<u>\$1,387,710</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 14,821</u>	<u>\$ 14,628</u>

SHAREHOLDERS' EQUITY

Capital stock (note 4)		
Authorized — Unlimited number of shares of one class (1977, 10,000,000 shares without par value)		
Issued — 9,023,288 shares (1977, 9,014,788 shares)	4,253,118	4,250,059
Deficit.	<u>3,211,775</u>	<u>2,876,977</u>
	<u>1,041,343</u>	<u>1,373,082</u>
	<u>\$1,056,164</u>	<u>\$1,387,710</u>

Contingent liabilities (note 8)

Approved by the Board

E.F. MERRINGER, Director

V.N. HARBINSON, Director

Statement of Income

	Year Ended June 30,	
	1978	1977
Management fees (net) (note 7)	\$ 61,000	\$ 245,000
Profit from oil and gas operations (gross revenue \$99,701, 1977, \$82,784).	47,083	35,811
Interest earned	21,910	16,584
Dividend income	50,301	63,712
Profit from sale of property.		12,028
Income before undernoted items	<u>180,294</u>	<u>373,135</u>
Exploration and administrative expenditures written off.	140,022	148,377
Unproductive oil and gas lease costs, development expenditures and production equipment written off		2,002
	<u>140,022</u>	<u>150,379</u>
Income before write-off of investments	40,272	222,756
Investments written off	375,070	
Net income (loss)	<u>\$ (334,798)</u>	<u>\$ 222,756</u>
Earnings (loss) per share	<u>\$(0.037)</u>	<u>\$0.025</u>

Statement of Deficit

	Year ended June 30,	
	1978	1977
Deficit at beginning of year	\$2,876,977	\$3,099,733
Net income (loss)	(334,798)	222,756
Deficit at end of year	<u>\$3,211,775</u>	<u>\$2,876,977</u>

Statement of Changes in Financial Position

	Year ended June 30,	
	1978	1977
Working capital derived from		
Income before undernoted items as shown on statement of income.	\$ 180,294	\$ 373,135
Add depreciation and depletion not requiring current outlay of working capital.	3,619	3,653
	183,913	376,788
Issue of shares of capital stock	3,060	50,000
	<u>186,973</u>	<u>426,788</u>
Working capital applied to		
Oil and gas interests	8,207	2,051
Mining claims		1,000
Fixed assets	17,166	28,762
Interest in other companies	50,954	100,708
Exploration and administrative expenditures less depreciation of \$11,531 (1977, \$8,795).	128,491	139,582
	<u>204,818</u>	<u>272,103</u>
Increase (decrease) in working capital	(17,845)	154,685
Working capital at beginning of year	450,044	295,359
Working capital at end of year	<u>\$ 432,199</u>	<u>\$ 450,044</u>

SPOONER MINES AND OILS LIMITED

Notes to Financial Statements — year ended June 30, 1978

1. Interest in other companies

	1978	1977
Consolidated Durham Mines & Resources Limited*		
725,725 shares (665,125 shares in 1977) at cost (quoted market value at June 30, 1978, \$595,095)	\$335,933	\$285,827
Shares in NBU Mines Limited		
170,800 shares at cost (quoted market value at June 30, 1978, \$170,800)	66,000	66,000
Shares in New Quebec Mining and Exploration Limited		
447,000 shares, at nominal value; 1977, at cost less \$7,000 forfeited on option to purchase (no quoted market value)	1	366,488
480,000 escrow shares		1
Other shares, at cost (no quoted market value)	852	8,586
	<u>\$402,786</u>	<u>\$726,902</u>

*Because of the large number of shares held in Consolidated Durham Mines & Resources Limited, the amount that may be realized on disposal of these shares may be more or less than the quoted market value.

2. Oil and gas interests

	1978	1977
Oil and gas leases, at cost	\$ 31,960	\$ 31,960
Development expenditures deferred	123,655	123,655
Production equipment, at cost	84,459	84,380
	240,074	239,995
Less depletion and accumulated depreciation	203,969	201,281
	36,105	38,714
Royalty interest, at cost less depletion.	394	1,326
Participation in Arctic Oil exploration, at cost	57,426	49,298
	<u>\$ 93,925</u>	<u>\$ 89,338</u>

Where oil and gas reserve figures are available, depletion has been provided on the unit of production method at rates calculated to amortize the lease costs and development expenditures in the proportion production bears to estimated reserves of oil and gas. Where reserve figures are not available, amortization has been determined on an estimated basis.

Unproductive oil and gas lease costs and applicable deferred development expenditures are written off when it is determined that the lease area is of no further interest to the company.

3. Mining claims

	1978	1977
Ungava Bay, Province of Quebec	\$ 79,000	\$ 79,000
Under an agreement dated February 1, 1970 Imperial Oil Enterprises (Imperial Oil) agreed to undertake an exploration program on this property. Imperial Oil has spent approximately \$480,000 and thereby has earned a 75% interest in the property now under an exploration permit.		
If requested, Spooner is to pay its proportionate share of expenditures in excess of \$400,000 or be abated by 1% for each \$10,000 of non-participation until it reaches a minimum of 10%. The abated interest under certain circumstances is recoverable by Spooner.		
To date no request for payment has been received.		
Matthews Lake Claims, Province of Ontario		
23 claims were purchased for cash of which 11 claims have been allowed to expire	1,000	1,000
	<u>\$ 80,000</u>	<u>\$ 80,000</u>

Notes to Financial Statements — year ended June 30, 1978 (continued)

4. Capital stock

Authorized

Under a Certificate of Continuance dated December 28, 1977, the authorized capital was changed from 10,000,000 shares without par value to an unlimited number of shares of one class.

Issued

During the year ended June 30, 1978, 8,500 shares were issued for a cash consideration of \$3,060.

During the year ended June 30, 1977, 250,000 shares were issued for a cash consideration of \$50,000.

Options

Under an incentive stock option plan, 400,000 shares were set aside for options to officers, directors and key employees on November 22, 1977 and approved by the company's shareholders on December 15, 1977.

On January 11, 1978 the company granted options on 385,000 of these shares at 36¢ per share expiring on January 11, 1983. During the year ended June 30, 1978, options on 8,500 of these shares were exercised and options on 13,000 shares were cancelled leaving options on 363,500 shares outstanding at June 30, 1978.

Employees also hold options on 5,000 shares at \$1.25 per share expiring on June 24, 1980.

Subsequent to the date of these financial statements options on an additional 274,500 shares at 36¢ per share were exercised.

5. Income taxes

No provision for income taxes is required due to the application of a portion of exploration and development expenditures deductible under the Income Tax Act.

The company has costs of oil and gas interests, mining exploration expenditures and depreciation available for tax purposes at June 30, 1978 of approximately \$1,113,000.

6. Recovery of costs

At June 30, 1978 the cost of participating in oil and gas interests amounting to \$93,925 has been deferred with the intention that it should be amortized along with the costs of mining claims by charges against income from future oil and mining operations. The recovery of these costs is dependent, therefore, upon the obtaining of adequate financing and the development of economic oil and mining operations.

7. Management contract

Under an agreement dated July 8, 1970 with respect to an antimony property at Lake George, New Brunswick, Spooner is to provide overall operating management, after the commencement of production, at cost plus 15% of net profits, as defined, from the operations for a period of five years from January 1, 1972, renewable for a further five years at Spooner's option. Spooner exercised its option and is committed to provide management services to January 1, 1982.

8. Contingent liabilities

Actions were commenced in the Supreme Court of Ontario on September 8, 1972 and April 30, 1973 by two former employees of the company. The company is defending both suits and, in the opinion of the company's counsel, it has good defences thereto.

Auditors' Report

To the Shareholders of
Spooner Mines and Oils Limited

We have examined the balance sheet of Spooner Mines and Oils Limited as at June 30, 1978 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at June 30, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
October 24, 1978

Chartered Accountants
Thorne Riddell & Co.

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

HEAD OFFICE: Suite 916, 111 Richmond Street West, Toronto, Ontario

Management Proxy Circular

Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of Spooner Mines and Oils Limited ("the Company") of proxies to be used at the Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the enclosed notice of meeting. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

Appointment and Revocation of Proxies

A proxy may be executed by the shareholder or his attorney in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The persons named in the enclosed form of proxy are directors and/or senior officers of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so** either by inserting such person's name in the blank space provided on that form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company before the time of holding the meeting.

A proxy given pursuant to this solicitation may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and delivered either at the head office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting, or adjournment thereof.

A shareholder may also revoke a proxy by either (a) signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing a written revocation and delivering it to the Secretary of the Company or the Chairman of the meeting, or (c) by personal attendance at the meeting.

Voting of Proxies

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy **will be voted for the election of Directors and the appointment of auditors as stated in the accompanying notice and under those headings in this circular, or withheld from voting or otherwise as directed in the spaces provided in the form of proxy.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, or other matters which may properly come before the meeting. At the time of printing this circular, the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

Voting Shares

On November 29, 1978 the Company had outstanding 9,297,788 shares without nominal or par value, each carrying the right to one vote per share. Any registered shareholder of record at the time of the meeting will be entitled to attend and vote at the meeting.

To the knowledge of the directors and senior officers of the Company, the following are the only persons or companies beneficially owning, directly or indirectly, greater than 10% of the outstanding equity shares of the Company as of November 29, 1978.

<u>Name and Address</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percentage of Issued Shares</u>
V.N. HARBINSON, RR 1, Kinmount, Ontario (Direct and indirect)	1,684,368	18.1%

Election of Directors

The Board presently consists of seven directors to be elected annually. Each director elected will hold office until the next annual meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

In the following table and note thereto are stated the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, if any, their principal occupations or employments, the period or periods of their service as directors of the Company and the approximate number of shares of the Company beneficially owned, directly or indirectly, by each of them as of November 29, 1978.

<u>Name and Position with the Company</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Shares</u>
V.N. Harbinson Chairman of the Board	Mining Executive.	1956	1,684,368
A.G. Matthew President	President of Consolidated Durham Mines & Resources Limited and a Director of other resource companies.	1974	1
J.N. Harbinson Vice-President	Canadian Tire Associate. Storeowner.	1978	1
E.F. Merringer	Partner, Messrs. Manning, Bruce, Macdonald & Macintosh, Toronto. Barristers & Solicitors.	1976	25
W.M. Connor	Financial Consultant prior thereto Secretary-Treasurer of Sinclair & Velentine Co. of Canada Ltd.		1
C.E. Page	Geologist for the past three years. Prior thereto a Geological student.	—	—
D.C. Vickers Vice-President,	Vice-President, Corporate Affairs and Secretary-Treasurer of Consolidated Durham Mines & Resources Limited and a Director of other resource companies.	1974	1

NOTE: The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective nominees individually.

If any of the above nominees is unable to serve as a Director, proxies in favour of management will be voted for another nominee in their discretion unless the shareholder has specified in the proxy that his shares are to be withheld from voting in the election of directors.

Directors and Officers Remuneration:

Nature of remuneration earned

Remuneration of Directors:

(A) Number of Directors: 6

(B) Body Corporate incurring the expense — Spooner Mines and Oil Limited

Remuneration of Officers:

(A) Number of Officers: 6

(B) Body Corporate incurring the expense — Spooner Mines and Oils Limited

TOTALS:

<i>Directors' Fees</i>	<i>Salaries</i>	<i>Bonuses</i>	<i>Non-Accountable Expense Allowance</i>	<i>Others</i>	<i>Total</i>
\$1,600	Nil	Nil	Nil	Nil	\$ 1,600
Nil	\$31,500	Nil	Nil	(see note) \$55,000	86,500
\$1,600	\$31,500	Nil	Nil	\$55,000	\$88,100

NOTE: Other Remuneration:

Administrative management and head office facilities are provided to the Company by an arrangement with Professional Management Services a sole proprietorship of Mr. V.N. Harbinson, the Chairman of the Board and President of the Company. Financial and investment advisory services are provided to the Company by an arrangement with Chapcoe Investment Corporation Limited in which Mr. Harbinson has a controlling interest. The amount of \$55,000 shown above is the aggregate sum paid or payable by the Company pursuant to both these arrangements during the fiscal year ended June 30, 1978.

On November 22, 1977 the Board of Directors established an Incentive Stock Option Plan in the amount of 400,000 shares, which Plan was subsequently approved by the shareholders on December 15, 1977.

During January 1978, 385,000 of such shares were granted to officers, directors and employees at a price of 36 cents per share. Following the cancellation of 13,000 shares granted to an employee 370,000 shares have now been exercised, leaving 28,000 shares unallocated. In addition there remains one stock option outstanding in the amount of 5,000 shares at \$1.25 per share.

Appointment of Auditors

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the reappointment of Thorne Riddell & Co., Chartered Accountants, Toronto, as auditors of the Company to hold office until the next Annual Meeting of Shareholders and authorize the directors to fix their remuneration.

General

The information contained herein is given as of November 29, 1978. The management knows of no matters to come before the Annual Meeting of Shareholders other than the matters referred to in the notice of meeting. Receipt at such meeting of reports of the directors and auditors and the Company's financial statements for its last completed fiscal period will not constitute approval or disapproval of any matters referred to therein. If any matters which are not now known should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgement of the person voting it.

Toronto, Canada
November 29, 1978

